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FISCAL IMPACT STATEMENT

LS 6700

BILL NUMBER: SB 335

NOTE PREPARED: Jan 9, 2012

BILL AMENDED:

SUBJECT: Prescription Drug Costs.

FIRST AUTHOR: Sen. Grooms

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill specifies limitations on certain out-of-pocket costs for prescription drugs under coverage provided by a state employee health plan, a policy of accident and sickness insurance, and a health maintenance organization contract.

Effective Date: July 1, 2012.

Explanation of State Expenditures: This bill will require the cost-sharing amount (including copayment, coinsurance, or other out-of-pocket cost) of a state employee health plan that provides a prescription drug benefit to not exceed (1) \$200 for a one-month supply of a single prescription drug and (2) \$500 for a one-month supply of more than one prescription drug. The bill also requires the out-of-pocket costs paid by a covered individual for prescription drugs to be included in any annual limitation that applies to out-of-pocket costs under the state employee health plan. The bill does not require the state employee health plan to provide coverage for prescription drugs.

The bill will apply to any state employee health plan that is established, entered into, amended, or renewed after June 30, 2012, and the provisions will expire July 1, 2014.

The State Personnel Department (SPD) estimates including prescription drug benefits at the cost schedule included in the bill will increase insurance costs between approximately \$85,000 and \$110,000 per year (or \$0.25 to \$0.31 per participating employee).

This increase may not necessarily imply additional budgetary outlays since the state's response to increased health benefit costs may include (1) greater employee cost-sharing in health benefits; (2) reduction or

elimination of other health benefits; and (3) passing costs onto workers in the form of lower wage increases than would otherwise occur. It is unknown at this time if the state would cover the added costs or pass the costs on to employees.

Explanation of State Revenues: The bill's requirements will also apply to policies of accident and sickness insurance offered in the state. As a result, insurance companies that offer policies of accident and sickness insurance will be required to provide prescription drug benefits at the cost structures specified in the bill. The inclusion of this benefit may increase insurance premiums in the state. To the extent this occurs, the state will receive additional revenue from taxes paid on insurance premiums. Revenue received from the Insurance Premium Tax is distributed to the General Fund. Actual increases in state revenue from insurance premiums are indeterminable.

For FY 2011, the Insurance Premium Tax yielded approximately \$186 M in revenue.

Explanation of Local Expenditures: This bill will affect local government units that participate in the Local Unit of Government (LUG) employee health plan, as well as those local governments that purchase group health insurance independently. LUG participants have the same benefits as state employees, but are part of a separate risk pool. For participation year 2012, there are 12 local units of government participating in the LUG health plan.

The bill will also affect school corporations that are included in the risk pool for the state employee health plans, as well as those school corporations that purchase group health insurance independently.

Any increase in costs experienced by local units and school corporations may not necessarily increase employer expenditures. Actual expenditures will depend on administrative decisions on whether to cover the added annual health plan costs or pass the costs on to employees.

The bill will apply to health plans established, entered into, amended, or renewed after June 30, 2012. The provisions expire July 1, 2014.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: School corporations; Local units of government.

Information Sources: Christy Tittle, State Personnel Department.

Fiscal Analyst: Bill Brumbach, 232-9559.